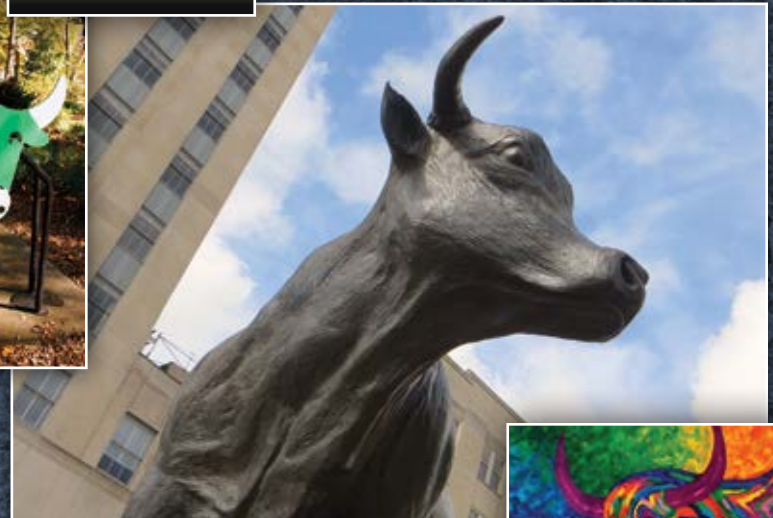




CITY OF DURHAM, NORTH CAROLINA

# Citizens' Financial Report

For the Fiscal Year ended June 30, 2017



## BULLISH ON THE BULL CITY



## TO CITY OF DURHAM RESIDENTS:

Cities are made of many elements – streets, schools, stores, offices, parks, and so on – but none is more fundamental than its people. Forty years ago, Durham was a city of about 100,000 people. It was known mostly as the place where Lucky Strike and Chesterfield cigarettes were manufactured and as the home to both a distinguished regional university and a prominent historically black college.

Today Durham is a city of more than 250,000 people. It is basking in a downtown revival, a creative-class boom, and features a performing arts center with attendance among the highest of any such facility.

Durham was once dominated by a few industries: tobacco, manufacturing, and textiles. Now, Durham is reinventing itself for the 21st century, leading the way in our knowledge-based economy. If you want a glimpse into the future of American entrepreneurship, look no further than Durham. From music to tech, food to research, and higher ed to health care, what unites all of our thinkers and doers is a collective willingness to dream big and a determination to turn ideas into reality. That's why we are bullish on the Bull City.

What does being bullish mean? Among other things, it means we are optimistic about our prospects – we are bullish on

the city's future. But it's more than that. It's a combination of many factors: our ambition, our diversity, our grit, and our people. To showcase multiple points of view, this year's financial report includes short essays written by Durham natives who highlight what they like about Durham. Be sure and read the essays by Candy Carver, Lois Deloatch, Milo Pyne, and Willis P. Whichard.

On behalf of the Mayor and the City Council, I am proud to present this year's *Citizens' Financial Report*. Durham is a city that honors its past and is proud of its spirit. Resident engagement and action make Durham a better place. We appreciate your interest in the City and its financial information. Your comments, questions, and concerns are welcome and can be sent to the City Finance Department. We look forward to a bright future together and invite you to come along with us on the journey. Let's all be bullish on the Bull City together!

Sincerely,

Thomas J. Bonfield  
City Manager



## CITY OF DURHAM — 2017 MAYOR AND CITY COUNCIL

**Mayor William V. "Bill" Bell**

**Bottom row: left to right: Mayor Pro Tem Cora Cole-McFadden, Eddie Davis, Jillian Johnson, Don Moffitt, Charlie Reece, and Steve Schewel.**





# FISCAL SUSTAINABILITY: KEEPING DURHAM'S HOUSE IN ORDER

The process of managing public money is not unlike the process with which a person should attempt to manage his or her own personal affairs. To live a good and happy life, a person should earn enough money to provide for current living expenses, food, shelter, clothing, and reasonable amenities. In addition, a prudent person will save for future needs – education for the children, retirement, vacation travel, a larger home, and other necessities and amenities.

The report you are reading is the *Citizens' Financial Report* for the 2017 Fiscal Year. The City provides a significant amount of financial detail in its *Comprehensive Annual Financial Report* (CAFR). For those without an accounting background, the CAFR can be daunting. In a continuing effort to provide greater transparency for residents and others, the City strives to provide pertinent information in a clear, understandable, and meaningful way. Financial information in this report is derived from the independently audited financial statements that are part of the City of Durham's 2017 CAFR. The data used in this report is simplified and condensed to reflect government-wide information. This report is not intended to be comprehensive, but rather to provide a clear picture of the City's general condition.

How do we know Durham's finances are in good shape? The City is financially healthy because it delivers the services its residents expect with the resources its residents provide. What are the most meaningful performance measurements for municipal government? Below are some of the tools the City of Durham uses to gauge our financial results.

**Budget** – North Carolina State Statutes require that the City adopt a balanced budget each year. The budget provides the guidance to the City to make sure spending is in line with revenue. Historically, the City's performance versus budget has been sound and often better than projection. As Calvin Coolidge once said, "There is no dignity quite so impressive, and no one independence quite so important, as living within your means."

**Credit Ratings** – The City uses three independent bond rating agencies (Standard & Poor's, Moody's, and Fitch) to assign credit ratings. Similar to a personal credit score, a municipal credit rating provides information about our ability to pay back debt.

The City is proud of the triple-A debt rating it currently receives from all three agencies, which is the highest possible rating. Ratings have a direct impact on the City's ability to successfully attract investors, and more importantly to pay the lowest possible interest rate.

**Debt** – Most people don't pay cash for major investments like a home, but instead responsibly use debt to spread the cost of larger purchases over time. Like a household with finances in good shape, the City's debt is moderate. The City's general obligation debt is well under the State of North Carolina's statutory limits.

**Financial Planning** – Durham has a track record of converting strategic decisions into constructive action and managing its long-term needs in a methodical manner. The City uses historical budget analysis, revenue projections, long range growth models, and the Capital Improvement Plan to determine future needs, timing, and acquisition of assets. Understanding long-term needs and obligations is paramount to planning for their impacts. Whether accounting for retirement funding, healthcare, or building maintenance, it is important to plan today for tomorrow's needs.

**Fund Balance** – There is no single number in governmental accounting and financial reporting that attracts more attention than the fund balance. Maintenance of an adequate fund balance is important because it provides a financial "safety net" in the event of emergencies, economic downturns, or other unforeseen circumstances. If there is one thing history can teach us, it is to expect the unexpected. Cities prepare for the unexpected by having savings in the form of fund balance. Fund balance maintenance is also a major factor considered by bond rating agencies when evaluating the City's credit worthiness. The City's Fund Balance Policy is to maintain an unassigned fund balance in the General Fund of no less than 12 percent of total adjusted budgeted expenditures, and historically has maintained levels higher than this minimum level. For the fiscal year ended June 30, 2017, the City's unassigned fund balance is 28.4 percent (\$50.1 million). We can control our circumstances by having a surplus. This level of fund balance will help ensure the City's ability to operate, even in the face of unexpected emergencies.

## City of Durham – MISSION STATEMENT

The City of Durham is dedicated to providing quality services to make Durham a great place to live, work, and play.

# FINANCIAL RESULTS

## Annual Independent Financial Audit

North Carolina State Statutes require that an annual audit be performed by an independent certified public accountant. This annual audit relates to the City's Comprehensive Annual Financial Report (CAFR), and the purpose of the annual audit is to ensure that the City is complying with generally accepted accounting principles (GAAP). In addition to meeting statutory requirements, the audit also complies with the Federal Single Audit Act. As it has in previous years, this year's Independent Auditor's Report confirms that the City's financial statements "present fairly, in all material respects, the respective financial position" of the City of Durham. All financial information contained in the Citizens' Financial Report is derived from GAAP amounts in the CAFR; portions of the information in this report are taken from financial statements that are contained in the CAFR. For more detailed financial information, visit the City's website at <http://durhamnc.gov>.

## General Fund

The General Fund is the City's primary operating fund, and accounts for the revenue and expenditures associated with operating traditional local governmental services such as police, fire, and parks and recreation. For FY 2016-17, total General Fund revenue was \$177.4 million. Property tax revenue was approximately \$89.2 million and provided approximately 50.3 percent of total General Fund revenue. Total General Fund expenditures were \$178.8 million. Public safety accounted for approximately \$89.4 million (50.0 percent) of total expenditures in the General Fund, up from \$85.8 million (52.2 percent) in the prior year. The charts on this page show the breakdown by percentage of General Fund revenue and expenditures.

This fiscal year, the City did better than expected as reflected in positive variances versus budget. The City exceeded its revenue and other financing sources budget by \$3.4 million and lowered its expenditures and other financing uses by \$17.9 million, resulting in a positive budget variance of \$21.3 million. Expenditures were below budget primarily due to reductions in costs in the Public Works, Parks and Recreation, and General Services departments because of personnel vacancies and lower operating expenditures.

## Government-Wide Financial Statements

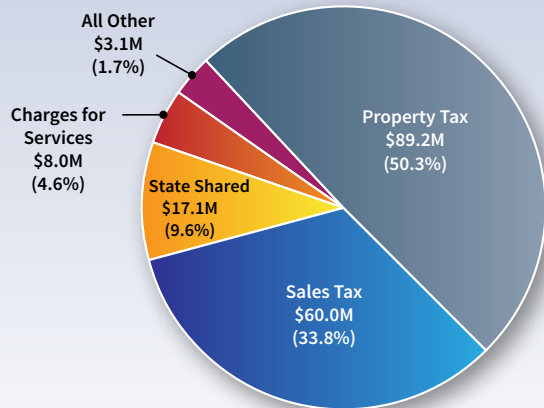
Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position is improving or deteriorating. During FY2016-17, the City's net position increased by \$104.2 million. As of June 30, 2017 its assets exceeded its liabilities by \$1.37 billion compared to \$1.26 billion in the prior year.

## Interdependence with Other Entities

The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. treasury securities because of actions by foreign governments and other holders of publicly held U.S. treasury securities.

### General Fund Revenue

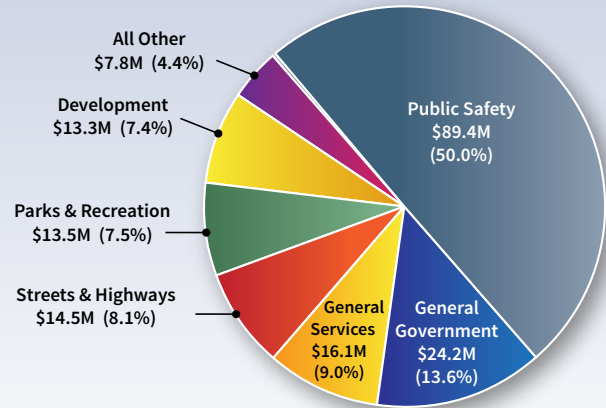
Year ended June 30, 2017



Total Revenue and Other Financing Sources  
Equal \$177.4 Million

### General Fund Expenditures

Year ended June 30, 2017



Total Expenditures and Other Financing Uses  
Equal \$178.8 Million

# I AM A NATIVE OF DURHAM

Willis P. Whichard

I AM A NATIVE OF DURHAM. Because much of the current population comes from elsewhere, that surprises people. They are still more surprised when I tell them I was born at the N.C. School of Science and Mathematics. It was then the county hospital; that's where babies were born. More accurately, that's where white babies were born, for I grew up in a segregated Durham.

Durham was one of North Carolina's larger cities – larger, then, than Raleigh. By current reckoning, however, it was a small, sleepy town. My parents purchased their West Club Boulevard house in September, 1938. Club Boulevard was then a dirt street on a rural mail route. A concrete marker now buried at the southeast corner of Club Boulevard and Gregson Street proclaimed, "City Limits."

Laura Terry, my fifth-grade teacher, lived near the current intersection of Duke Street and Horton Road. Scuppernong vines there awaited my friends and me annually. Ms. Terry's residence was so far into the country, however, that my friends and I thought we had gone at least to Virginia.

The bicycle that took me to Ms. Terry's transported me all over Durham, even to the far reaches of East Durham to substitute on a morning paper route. Traffic was sufficiently limited that it was not a serious threat to a boy on a bicycle.

Tobacco and textiles were the mainstays of the local economy. Duke was a good regional university, but not yet a nationally and internationally recognized academic leader. It had a good hospital, but not yet a medical center regarded as among the best in the world. The present Research Triangle Park area consisted mostly of woods and small farms.

Today's Durham, by contrast, is a vibrant, diverse, thriving center of commerce, academics, the arts, and multiple other human endeavors. *The New York Times* profiles our restaurants. Visitors from a wide area attend events at the Durham Performing Arts Center. The Durham Bulls bring fans from a distance to Downtown Durham. American Underground nurtures nascent economic ventures with far-reaching potential. North Carolina Central University and Durham Technical Community College provide able company for Duke in the higher-education enterprise.

I had a small part in one aspect of the downtown renaissance. In the early 1980s, suburban shopping centers and outlying office areas had drawn businesses and professional firms from the downtown area. Office buildings were partially occupied; parking spaces were empty. A need for economic stimulus was readily apparent.

The Downtown Durham Development Corporation, funded by local governments, was formed to address this need. Its charge was to develop a hotel-civic center complex for the downtown area. I served as the president and board chair. I also chaired the campaign for a bond issue to finance the public portion of the project. With 58 percent of the vote, the bond issue passed. The Marriott Hotel-Durham Convention Center Complex has served the community well ever since. Indeed, it is difficult to imagine Downtown Durham without it and the economic and other activity it brings to the community.

The North Carolina Collection at the Durham County Library has been my other major local focus. State and local history are important, yet neglected. This

collection has become a significant archival facility for the collection and preservation of that history. It holds the papers of many accomplished Durham citizens, and numerous local historical artifacts. It is particularly strong in documentary evidence relating to Durham's extensive African-American community.

The recent nomination of Loretta Lynch to be U.S. Attorney General provides a vivid example. The Cable News Network (CNN) visited the collection seeking information about her Durham roots. It was most impressed with what the Durham Library had done to preserve local history. I have established an endowment within the Durham Library Foundation to benefit the North Carolina Collection. Hopefully it will help to insure that Durham is a notable exception to the many communities that lose their local history.

Shortly after the Civil War ended, Wilson Swain Caldwell, formally the slave of UNC President David Swain, came to Durham for a brief time. He soon returned to Chapel Hill, however. When asked why, he replied, "Durham ain't no place for a literary man."

Today Durham is very much a place for a "literary man" or woman. It is also a thriving and exciting place for an entrepreneur, a research scientist, an artist, a musician – the list could continue. The relatively small, sleepy Durham of my childhood is gone – replaced by a Durham with an attractive, appealing present, and excellent prospects for a very bright future.

*Willis P. Whichard is a retired justice of the Supreme Court of North Carolina and a former dean of the Campbell University School of Law.*



# A DEEP RELATIONSHIP WITH DURHAM: A BULLISH VIEW

DURHAM AND I HAVE A RELATIONSHIP that runs deep.

In fact, for 37 years, I've been proud to call this place home. It has gifted me with opportunity and self-discovery – it has been a perfect city to live, work, learn, and serve. What best distinguishes Durham is our ambitious, “bullish” spirit – our grit, yes, plus the fact that we “keep it real,” as goes the popular saying that should have been born here. We are authentic - aspiring only to be ourselves, not a version of some other city. We are warm and friendly. We greet strangers with a smile and make eye contact.

When Durham and I first met, I was 12.

I travelled here from Margarettsville for eye surgery at McPherson Hospital, now the site of a Marriott Residence Inn on West Main Street. Compared to my rural hometown of 500 people, Durham was a big city. My childhood self saw awe-inspiring structures, all manner of stores and shops, and interesting people. When I enrolled at UNC-Chapel Hill in the late 1970's, I

frequented Durham. I bought textbooks at the Book Exchange, made myself a regular at the Black beauty parlors, visited my sister at NCCU, and enjoyed interesting social and cultural events. So, as a young adult, settling in Durham was an exciting prospect for me.

Durham and I grew comfortable with each other on adult terms.

I moved to Durham in 1980. I was now 21, married, a senior at UNC, and working full-time for a local real estate developer. I soon learned that I could buy a home in Durham for a fraction of my rent. I'm proud to say that less than a year later, I had fulfilled my dream of homeownership, despite my meager income.

Over time I became another Durhamite, one of the multitude of hardworking, creative folks who are willing to take care of each other. Not every city our size has 200+ local nonprofits. I'm proud of their scope. They're committed to providing educational and enrichment opportunities for youth and adults, feeding the hungry, and housing the

homeless. They're serving the elderly and disabled, and infusing music, art and culture into our everyday places and lives.

Some of my most memorable and transformative experiences have been shaped by community service with great institutions -- the Volunteer Center, Concerned Citizens United/Trumpet of Conscience, St. Joseph's Historic Foundation, Durham Arts Council, Rotary Club of Durham, African American Dance Ensemble, and Durham County Library, to name a few.

Service has been the gateway to friendships across cultures, new perspectives on the world, and insights into issues and topics I would not otherwise have encountered. Likewise, my life as an artist and my employment with Duke, North Carolina Central University, and Self-Help/Center for Responsible Lending opened avenues for me to cultivate important relationships with people from all corners of the world. Durham has linked me to people with varied backgrounds who have enhanced and strengthened our community through





# OF OUR WORK AHEAD

Lois Deloatch

their presence and unique perspectives.

Long-timers, newcomers, and judging from our presence in a flood of national quality-of-life surveys, even urban observers and outsiders, are telling me that Durham has entered the nation's upper tier of popular, livable metropolitan areas. There's the medicine and the innovation hubs. Arts and culture year-round. Parks, restaurants, neat hotels, condos, and apartments. And yes, hipsters. People are just showing up and staying. I'm grateful that many smart, committed civic leaders, institutions, businesses and frontline community activists, and volunteers made it happen.

Unfortunately, Durham is not immune to the typical challenges and complexities that come with growth and progress in urban America in 2017. When I moved to Durham, I was a low-income, under-employed, African American woman from a small, poor town who, nonetheless, felt I belonged and could be successful here. I got that house on good terms, landed great jobs with benefits, and built a rich life here with meaning and

joy. I made a lot of my own luck, and I had some good luck.

Unfortunately, the path I followed seems less attainable today, given rising housing costs and growing income disparity, among other factors. My Bull City tee-shirt uses the spelling "durty" and that describes some of our work ahead. I know we're up to it.

My relationship with Durham is solid, but like any healthy relationship, there's room for improvement. Here's my wish list for our city: To sustain or progress, we can promote and build respectful and effective relationships across races, cultures, generations, political affiliations, religions and other barriers, real or perceived. Let's promote access, affordability and equal opportunity in housing, education, transportation, employment, health care, and other areas that directly impact everyone's quality of life. We can work together to advance reforms in criminal justice, juvenile justice, immigration and economic justice and equity. And we must be responsible stewards of our limited

financial, human and natural resources.

Last, courage ... let's summon up our courage and will to pursue a unified vision and agenda that represents the needs and voices of all facets of Durham. We can stay focused on what is true, fair, and the right thing to do for all concerned.

What a marvelous year to keep moving forward in the spirit of enormous civic traditions. This is the year Durham bids farewell to longtime Mayor Bill Bell. It's the year that we mourn the loss of Baba Chuck Davis. I salute these two stalwart visionaries and unselfish leaders.

I hope we will take to heart their respective mantras: "Great things are happening in Durham!" and "Peace, love, and respect for everybody."

Meanwhile, I'm heading downtown. I don't want to miss anything.

*Lois Deloatch is a vocalist/songwriter, fundraising professional, and community volunteer.*





## Durham Survey Shows Residents Bullish on the Bull City

During December 2016, the ETC Institute conducted the Durham City-County Resident Satisfaction Survey. The results show that 80 percent of residents feel that Durham is a good-to-excellent place to live, and 73 percent are satisfied with the overall quality of life in their neighborhood.

The City has been conducting Resident Satisfaction Surveys since 2005. The results of this survey just keep getting better; so much, in fact, that the City's overall image has improved 27 percent since 2005. This shows that residents believe the City continues to move in the right direction. The surveys provide a great opportunity to touch base with our residents – in a statistically sound way – to find out what they really think of our community and the services provided by their local government. The overall results provided a great picture of, not only resident satisfaction, but also how we should view community-wide priorities. The City administration specifically uses this information to help direct our priorities, from making day-to-day decisions to overall long-term planning and resource allocation.

A major theme that emerged from the survey indicated that, compared to other large cities, Durham is setting the standard for the overall quality of City-provided services and customer service from City employees, rating 64 percent and 58 percent, which is 18 percent and 22 percent above the average, respectively. Other U.S. cities are seeing declines in satisfaction levels.

Residents indicated their overall City-wide priorities for improvement over the next two years should be maintenance of streets, quality of police protection, and overall traffic flow. The highest level of satisfaction with City-provided services included fire protection and rescue services which increased 2 percent to 84 percent.

While minor-to-significant decreases in satisfaction were noted in some areas as compared to 2015, including some customer service and operational rankings, those decreases matched a downward trend with satisfaction in those areas nationwide over the past year, according to Jason Morado of the ETC Institute. "When benchmarked against comparable cities, Durham's drops in these areas were less," Morado said. "Durham's ratings have been consistently higher than many other cities, and residents still rate City services highly despite the current national environment and any local challenges." The ETC Institute used a randomly selected sample of 487 households whose demographics accurately reflect the population of the City as well as 248 households outside the city limits. The survey has a 95 percent level of confidence with a margin of error of +/- 4.4 percent.



## International PARK(ing) Day in Durham

**PARK(ing) Day** is an annual worldwide event where artists, designers, and residents transform metered parking spots into temporary public parks for people to enjoy. On Friday, September 15, 2017, a parklet was set up by Bike Durham in front of the Post Office on Chapel Hill Street in downtown Durham. Approximately 400 people walked past and 200 passersby expressed positive appreciation for the day-long installation.





# DURHAM: By the Numbers

4<sup>TH</sup>

Durham is the Fourth  
Largest City in the State

263,016

2017 Population  
of Durham

2,395

City of Durham  
Employees

78<sup>TH</sup>

Largest City in the U.S.

112

Durham Area  
in Square Miles



BUILDING PERMITS

\$790

million

Commercial Valuations

\$554

million

Residential Valuations

4,547

Permits Issued



POLICE

5

Police Stations

549

Sworn Officers

FIRE

25,833

Emergency Calls

993

Fires Extinguished

PARKS & RECREATION

68

Parks

9

Recreation Centers

WATER MANAGEMENT



89,616

Customers

1,233

Miles of Water Mains



TRANSPORTATION

\$230,000

Cost to pave one lane mile  
of a street

PUBLIC WORKS

758

Miles of Streets

21,742

Streetlights

# TREASURY ADMINISTRATION

## Debt Management

Governmental entities have been using debt for more than 200 years to fund public infrastructure such as government buildings, water distribution systems, police stations, and many other projects that require significant capital investment. When a government issues debt, it receives an infusion of cash to build a project; in return, the government repays the bond purchasers over time, plus interest. The use of debt allows a government to complete a capital project with a repayment schedule that spreads the cost of that project over its useful life, and the bond purchaser receives a reasonably reliable source of investment income.

## Long-Term Financial Planning

Before issuing debt, a government needs to consider many factors. Appropriate planning and understanding help provide the most favorable results to the City while avoiding unnecessary risks and negative consequences. Debt issuance requires working with a number of partners, each with a specific role. The debt issuance will result in a financing agreement that is legally binding, and it is critically important that government officials understand the basic terms of the agreement and what the agreement commits them to do. Evaluating the impact of new bond programs on future tax rates is an important element of debt management.

The City maintains a multi-year financial plan that provides information to clearly identify the deficit faced at the beginning of the budget development process. This is a crucial component of planning for the future. This plan projects the financial impact of achieving the objectives in the strategic plan and helps to identify resources needed to fund those objectives.

Durham continues with its forward-looking capital budget, presenting a long-term Capital Improvement Program (CIP) to Council. The CIP is a statement of the City's policy regarding long-range physical development. Figuring out how much money the City can afford to borrow and how much debt to issue are parts of the CIP process. The process is vital to the City because it is the principal planning tool aligning capital needs with urban growth and development. This program is developed for a six year period and is updated and revised annually. To be included in the CIP, a project usually requires a total expenditure greater than \$100,000.

The FY2018-2023 CIP is presented to the Council in a companion document to the FY2017-18 annual budget. The capital improvement budget for 2018 includes \$174.8 million to complete existing projects and for new projects, including Water and Sewer and Stormwater enterprise projects. Funding for general government projects is provided through general obligation bonds

(GOs), certificates of participation (COPs), limited obligation bonds (LOBs), general fund revenue, grants, impact fees, and program income. The FY2018-2023 CIP process focused on prioritizing capital project needs and requirements. The CIP process was developed with the guidance of residents and the internal CIP Advisory Committee.

## Credit Ratings

There are approximately 22,500 cities in the U.S. and currently Durham is one of fewer than 40 cities nationwide to receive the top level triple-A debt rating from all three major national rating agencies, Moody's, Standard & Poor's, and Fitch. This ranking makes the city one of the highest rated public entities in the country.

## FY 2016-17 Debt Issuance

In August 2016 the City saved money by refinancing a portion of its outstanding debt. The City sold \$56.7 million of Utility System Revenue Refunding Bonds that refinanced existing bond issues that were sold in 2011. The bonds were sold with an all-in true interest cost (TIC) of 2.64 percent, which incorporate all of the issuance costs. The sale of the bonds resulted in Net Present Value (NPV) savings of \$5.5 million or 12.7 percent of the refinanced bonds. Gross savings were \$8.1 million.

In June 2017 the City successfully completed the issuance of \$6.5 million of General Obligation Two-Thirds Bonds to fund the City's fleet acquisition plan and \$18.1 million of General Obligation Bonds to refinance a portion of the City's outstanding debt. Both transactions were sold through a direct placement of each series to Bank of America Merrill Lynch. The General Obligation bonds used to fund the City's fleet acquisition have an all-in TIC of 1.86 percent over a term of five years, which incorporates all of the issuance costs. The refinancing bonds were sold with an all-in TIC of 1.90 percent over a term of eight years. The sale of the refinancing bonds resulted in NPV savings of \$1.5 million or 8.3 percent of the refinanced bonds. The majority of the savings on this refinancing impact the Debt Service Fund, but the Water and Sewer Fund and Solid Waste Fund will also benefit.

At year end the City had \$368.7 million in outstanding debt compared to \$382.9 million in the prior fiscal year, a decrease of \$14.2 million (3.7 percent). The City's outstanding debt by function is displayed in the table on the next page.

## General Obligation Debt Ratio

North Carolina state statutes limit general obligation outstanding debt to eight percent of a local government's assessed valuation for property tax purposes. As displayed in the following table, the



### General Obligation Debt Ratio

At June 30	Total GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation
2013	253,224,239	23,547,362,252	1.075%
2014	216,445,000	23,683,961,515	0.914%
2015	192,695,000	24,346,829,399	0.791%
2016	175,465,000	25,216,338,217	0.696%
2017	179,695,060	27,779,146,712	0.647%

*North Carolina State Statutes limit GO debt to 8 percent of a local government's assessed valuation.*

City's GO debt that applies to the debt limit is \$179.7 million, which is 0.647 percent of assessed valuation, and is significantly less than the current calculated statutory debt limit of \$2.2 billion.

### Definitions:

**Bonds:** A debt obligation, or a written promise to pay back an amount plus interest by way of periodic payments within a specified period of time. The issuance of all City bonds is made in accordance with the provisions of N.C. State Statutes and with the approval of the Local Government Commission (LGC).

**General Obligation Bonds (GOs):** The City may borrow money from lenders, pledging the full faith and credit of the City to pay the loan through tax revenue. The method requires both the approval of voters through the referendum process and the approval of the LGC.

**Installment Purchase Contract:** A contract that is used to procure supplies or equipment from a contractor where payment for the supplies or equipment is made in a set of installment payments over a fixed period of time in accordance with the provisions of the contract, and in which the contractor agrees to deliver title of the property to the City in accordance with the terms and conditions of the contract.

### Certificates of Participation (COPs)/Limited Obligation Bonds (LOBs):

Types of Installment Purchase Contracts requiring no voter approval. The City may issue COPs and LOBs for building or equipment using the building or equipment to secure the financing.

**True Interest Cost (TIC):** TIC is the internal rate of return that will be paid by the issuer to investors. TIC takes into account the time value of money and it is generally the most accurate measure of the issuer's true cost of borrowing.



### Outstanding Debt By Function

Year Ended June 30, 2017 (Amounts in Millions)

General Government	\$216.0
Water and Sewer	86.1
Performing Arts Center	28.9
Ball Park	14.3
Solid Waste	13.9
Parking	7.9
Transit	1.6
<b>Total</b>	<b>\$368.7</b>

# THE CITY OF DURHAM'S BUDGET

Each year, the City adopts its annual operating budget, which allocates limited dollars to the highest community priorities. The City's budget is comprised principally of three major parts: the General Fund, the Debt Service Fund, and the various Enterprise Funds. The General Fund is financed primarily by property and sales tax revenues and supports core services, such as public safety. The Debt Service Fund is used to account for all the financial resources needed to pay principal and interest on the City's debt. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, such as the Water and Sewer Fund and the Solid Waste Disposal Fund. The total budget for FY2017-18 is \$429.4 million compared to \$405.0 million for FY 2016-17, an increase of 6.0 percent. The budget includes a General Fund budget of \$189.4 million compared to \$181.6 million for last year, an increase of 4.3 percent (\$7.8 million). As displayed in the table and chart on the next page, public safety received the largest share of General Fund appropriations (\$97.2 million or 51.3 percent), followed by public services (\$46.0 million or 24.3 percent).

Other than looking at spending by major function, there is another way to look at spending and that is by the class of the expenditures. From this perspective, as displayed on the chart on the next page, personal services received the largest share of General Fund appropriations (\$147.4 million or 77.8 percent), followed by operating expenses (\$31.8 million or 16.8 percent), and all other expenses (\$10.2 million or 5.4 percent).

The tax rate for this year's budget is 57.86 cents per \$100 of assessed value. This rate represents an increase of 1.79 cents (3.2 percent) versus last year's tax rate of 56.07 cents. One cent of the tax increase is due to increasing the tax to support affordable housing to two cents from one cent last year. This year's tax rate of 57.86 cents per \$100 assessed value generates a tax bill of \$1,047.87 on a house valued at \$181,104, which is the median house value for the City of Durham, according to the Durham County Office of Tax Administration. Here is where the \$1,047.87 tax goes for the median house: \$597.46 for General Fund operations; \$235.80 for debt; \$113.91 for solid waste; \$64.47 for transit; and, \$36.22 for housing. The chart on this page displays the allocation of the property tax.

The Water and Sewer Fund budget effectively supports both water and sewer operations, capital needs, and increased infrastructure debt service costs. Increases for water and sewer volume charges and service charges were approved for FY2017-18 to support the Capital Improvement Program projects planned for

compliance and rehabilitation in the next several years. The total rate increase for the average customer is approximately three percent.

## Definitions of the Major Functions in the General Fund

The **Public Safety** function includes the following departments: Emergency Communications, Emergency Management, Fire, and Police.

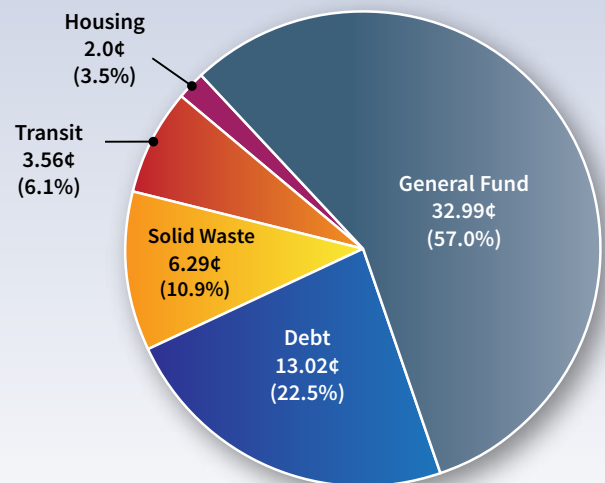
**Public Services** includes: Fleet Management, General Services, Parks and Recreation, Public Works, and Transportation.

**Administrative and Support** includes: Audit Services, Budget and Management Services, Equal Opportunity and Equity Assurance, Finance, Human Resources, and Technology Solutions.

**Community Building** includes: City/County Planning, Community Development, Economic and Workforce Development, and Neighborhood Improvement Services.

**Governance** includes: City Council, City Attorney, City Clerk, and City Manager.

## FY 2017-18 Property Tax Rate



**Total Property Tax Rate Equals  
57.86¢ Per \$100 Assessed Value**



### Major Functions Funded in the Budget

Year ended June 30 (Amounts in Millions)

Budget Ordinance	Adopted FY 2016-17	Adopted FY 2017-18	Percent Change
Public Safety	\$93.0	\$97.2	4.5%
Public Services	46.8	46.0	-1.7%
Administrative and Support	16.3	17.0	4.3%
Community Building	14.8	15.1	2.0%
Governance	6.4	7.2	12.5%
Non-Assigned	4.3	6.9	60.5%
<b>Total General Fund</b>	<b>\$181.6</b>	<b>\$189.4</b>	<b>4.3%</b>

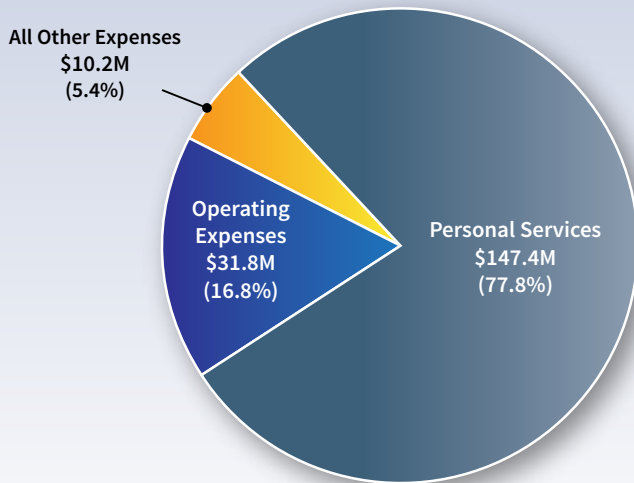
#### FUN FACT:

#### *When was NCCU founded?*

The privately-funded National Religious Training School and Chautauqua opened in Durham in 1910 under the leadership of Dr. James E. Shepard. It was reorganized in 1915 and in 1923 gained funding from the General Assembly. The school became the N.C. College for Negroes in 1925, the nation's first state-supported liberal arts college for African Americans. In 1969, the school became N.C. Central University.

#### Budgeted Appropriations by Class

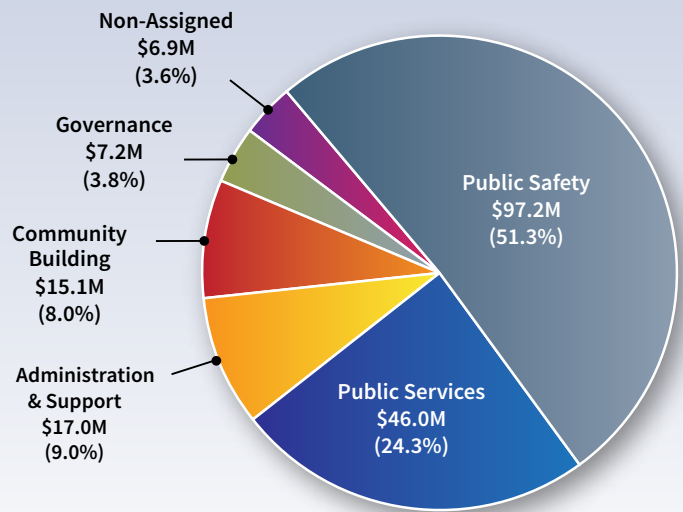
Adopted FY 2017-18



**Total General Fund Appropriations  
Equal \$189.4 Million**

#### Major Functions Funded in the Budget

Adopted FY 2017-18



**Total General Fund Appropriations  
Equal \$189.4 Million**

# HOLDING ON TO WHO I AM

## Candy Carver

**Jeff Bell:** *Now if anyone knows Candy, then you know that she's very invested in Durham and the Durham community. Talk about how you feel about that, how you want to tie yourself to the community and generate positive things.*

**Candy Carver:** I was born in Durham, North Carolina, but when I was an infant we moved to Indiana. And, very early it was very obvious to me that I didn't fit in very well there. And, not to speak ill of the place, I just didn't think, talk, have the same interests as the young people and the kind of people in my community. We didn't share the same goals. And, so within the first decade of life I knew I needed to move back to North Carolina, to Durham in particular. I didn't know exactly why, but I'm an only child, all my cousins and my uncles and my aunts and my grandmother live here. But I knew from visiting that it felt good. And, I'll tell you, the whole time that I lived in Indiana, I was kind of outside, not fitting in, like a "Who is she? Why does she talk about that? Why does she do that?" kind of person. And, then I moved back to Durham in 2007 and I'm so thankful that I was comfortable retaining who I was. Because when I moved back here, it was embraced. And I found other people that were like me so I recognized that I didn't need to let that go, that it was a good thing that I held on to who I was. It made the whole City of Durham feel like home; it wasn't just coming home because I was born here, or coming home because my family was here. It was coming back to the City that understood me in a way that I wasn't accepted where I lived previously. It's deeper than just, "Oh, there's cool culture and it's really diverse." It's deeper than that. Those are important aspects, but the place feels like home, and it's not just by way of family. It's by way of family that I've made that aren't blood relatives. It's the way you can walk around Durham and be completely accepted by the majority of the people you interact with like they're family. That's a really good feeling. And that's something that I didn't have readily available in my earlier years.

*Candy Carver is a visual artist, lover of Durham, and resident as well.*

Credit: "Don't You Lie To Me," a visual arts podcast; recorded live at the North Carolina Museum of Art, August 3, 2017.

### FUN FACT:

#### ***When did Trinity College move from Randolph County to eventually become Duke University?***

Trinity College began as Brown's Schoolhouse in 1838 and became Union Institute Academy three years later. It was renamed Normal College in 1851, then Trinity College in 1859. Trinity moved to Durham in 1892, largely due to funding from Julian Carr and Washington Duke. The school became Duke University in 1924.

## THE SEVEN TOOLS OF CITY MANAGEMENT

There are seven primary levers of governance that Durham uses to guide development and operations: an aspirational **vision** of the city; a **strategic plan** for how to implement the vision, with specific indicators of its components; **data collection** so that the City has intelligence about its circumstances and can create feedback mechanisms to adjust the steps being taken toward achieving its vision; **regulations**, such as zoning and building codes; **incentives**, including public-private partnerships; and **investments** in infrastructure such as transportation, water, and sewer systems. Also, the vision must be **communicated** to the city's residents. All seven of these levers are tools that Durham uses to make a great city. The report that you are currently reading is part of the seventh lever, communicating with our residents!

A GUIDING VISION

DATA COLLECTION & ANALYSIS

PLANNING

REGULATIONS

INCENTIVES

INVESTMENT

COMMUNICATION



# BULLISH ON THE BULL CITY

Milo Pyne

I was born in Durham in 1950, and have seen our city go through its ups and downs. Having grown up near downtown, I have gauged the health of the city by the status of its downtown. In my childhood, downtown was a bustling place, with numerous five and dime stores, meat markets, lunch and hot dog joints, elegant office buildings, and, of course, the majestic Washington Duke Hotel. I recall walking through the tobacco factories after school on the way to Five Points and seeing all the ladies in light blue uniforms who worked there doing a shift change. I fondly remember this vibrant downtown Durham, but I also remember the symbols of racial discrimination, like the “colored” and “white” water fountains in the downtown Sears.

I also remember visiting in the 1980’s to see the low point of a downtown, strangled by the loop, that was vacant after dark and to which no one wanted to go. The old eateries had gone, tobacco was in its final decline, buildings had burned or had been imploded, and had not been replaced, and there was

not much activity after five o’clock. A few brave urban pioneers brought residential life back to downtown, but it was thin there for a while.

The turnaround was finally wrought by projects such as the Convention Center, the renovation of the historic Carolina Theatre, the Royall Center for the Arts, Centerfest, and ultimately the Durham Bulls Athletic Park and the Durham Performing Arts Center (DPAC). I remember, several years ago, when the Venable Building was renovated, that the complete rebirth of downtown was inevitable.

Now we enjoy a downtown full of life, with vibrant night life, abundant restaurants, breweries, and an outstanding art scene. Now, in an ironic turn of events, we need to be careful not to be the victim of our own success and price out the creative young people that have helped fuel this turnaround.

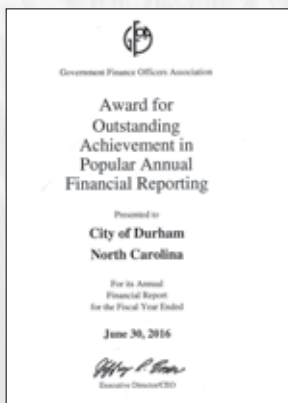
The transition from tobacco to medicine to high tech has been a struggle. We have entered an exciting future, but a challenging

one. It is good to have neighborhoods improve and property values increase, but too-dramatic and rapid change can displace long-time but lower-income residents. We need new construction to house the new residents, but we need to creatively reuse older buildings where possible and ensure that neighborhood values and ambience are not needlessly sacrificed.

Durham has a complex history, an increasingly diverse population, and creative leaders who can manage constructive change. We face a new series of challenges in a period of rapid growth, change, and diversification. Let’s make sure that all of Durham’s people benefit from the growth and economic success of our city.

A friend in high school said that “Durham was the center of the Universe” and I thought she was being ironic; turns out she may have been right!

*Milo Pyne is a Durham native, a botanist and plant ecologist, and a progressive political activist.*



## FINANCE AND BUDGET AWARDS

Durham’s *Comprehensive Annual Financial Report* (CAFR) has won the Government Finance Officers Association of the United States and Canada (GFOA) award for 32 consecutive years and Durham has received the GFOA award for Distinguished Budget Presentation for 29 consecutive years – proof our Finance and Budget Departments are repeatedly getting things right when it comes to financial planning, investments, and debt management. To earn these Certificates of Achievement, the City must annually publish an easily readable and efficiently organized budget and CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles (GAAP) and accepted legal requirements. In addition, Durham’s *Citizens’ Financial Report* has received 13 consecutive awards for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA. Durham is one of two North Carolina cities to hold all three national GFOA awards.





DURHAM



1869  
CITY OF MEDICINE

Durham is a colorful, creative, and entrepreneurial community that continuously earns accolades as one of the best places to live, work, and play.

This City of Durham ***Citizens' Financial Report*** is a publication of the

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<http://durhamnc.gov/456/Finance> or call (919) 560-4455.

For information about City of Durham services, visit the City's website at  
<http://durhamnc.gov> or call Durham One Call at (919) 560-1200.

**About the cover art:** Bulls collage features artwork by Jewel Conway, Frank Kreacic, Matt Tomko, and Roy Wiemann.

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